PRIME MINISTER

TIN

The negotiations seem now finally to have broken down.

The LME are meeting this evening to decide what to do next.

One option is to open the market, having given the necessary 48 hours notice, and then allow free trading. They believe this would do grave damage to the LME and possibly lead to its collapse.

The alternative is to seek some form of burden-sharing within the market. The LME would set a notional market clearing price. Brokers with buy contracts would pay to the sellers the difference between this notional price and the price at which they have bought the tin (presumably often on behalf of the buffer stock managers). Brokers with sell contracts would gain this amount in cash, but be left with the risk of their holdings of tin.

It is not clear whether the brokers will be prepared to agree to this, and the procedure could also be open to legal challenge.

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Amanda Ross

PP DN

6 March, 1986.

JD3AKE